

20. UNDISTRIBUTED OFFSETTING RECEIPTS

Table 20-1. Undistributed Offsetting Receipts
(Dollar amounts in millions)

Function 950	1993 Actual	2001 Estimate	Percent Change: 1993–2001
Spending:			
Mandatory outlays	–37,386	–47,177	26%

Undistributed offsetting receipts fall into two categories: (1) the Government's receipts from performing certain business-like activities, such as proceeds from oil and gas leases on the Outer Continental Shelf; and, (2) collections of Federal agencies' contributions to Federal employees' retirement plans. Receipts from all business-like activities are offset against budget authority and outlays, instead of being recorded as governmental receipts, so that the budget totals represent the amount of resources allocated by the Government rather than by the market mechanism. Unlike most business-like receipts, which are offset within the same function as the spending that gives rise to the receipt, some are so large that it would distort the functional totals to distribute them by function. Instead, they are undistributed by function and offset against the budget totals. Receipts of agency retirement contributions are offset against the payments, so that the budget totals measure the Government's transactions with the public. These intrabudgetary transactions are important for allocating costs to programs that incur the cost, but they have no net impact on total budget authority and outlays. They are offset against total budget authority and outlays because offsetting them within the functions in which the payments are recorded would cause the totals for those functions to seriously understate current expenditures.

Rents and Royalties on the Outer Continental Shelf

The Department of the Interior's Outer Continental Shelf (OCS) lands leasing program, which began in 1954, currently generates about 26 percent of total U.S. domestic oil production and 27 percent of domestic natural gas production. Since the OCS program's inception, it has held 150 lease sales, covering areas three to 200 miles offshore and generating over \$134 billion in rents, bonuses, and royalties—mainly for the General Fund of the Treasury—with an estimated \$6 billion in OCS receipts in 2001. OCS revenues also provide nearly all funding for the Land and Water Conservation Fund. In 1998, the Clinton-Gore Administration extended a leasing moratoria for environmentally sensitive areas—offshore California, Oregon, and Washington; the Eastern Seaboard; the southwestern coastline of Florida, including the Everglades; and, certain parts of Alaska.

Employee Retirement

In 2001, Federal agencies are expected to pay an estimated \$39.5 billion on behalf of their employees to the Federal retirement trust funds, the Medicare health insurance trust fund, and the Social Security trust funds. (The major programs of the Federal retirement trust funds are the Military Retirement System, the Civil Service Retirement System, and the Federal Employees'

Retirement System.) As civilian and military employees' pay rises, agencies must make commensurate increases in their payments to recognize the rising cost of retirement. The amount of receipts also changes with increases or decreases in the number of employees and changes in the retirement accruals charged to agencies. The agency payments and trust fund receipts are offsetting and do not affect the unified budget totals. Under the 1997 Balanced Budget Act, agency contributions for employees covered by the Civil Service Retirement System were increased from seven percent of salary to 8.51 percent beginning in 1998. These higher contributions are set to expire in 2003.

Other Undistributed Offsetting Receipts

In 1993, the President and the Congress gave the Federal Communications Commission

(FCC) authority to assign spectrum licenses through competitive bidding, which has proven to be a very efficient and effective way to allocate this finite public resource. Until the auction program was implemented in 1994, valuable spectrum licenses were awarded for free through lotteries or time-consuming comparative hearings. Through auction, the FCC awards licenses about 40 percent faster than lotteries and 70 percent faster than comparative hearings. By the end of 2001, the FCC will have auctioned over 14,300 licenses and collected over \$20 billion in actual and estimated cash receipts—encouraging the development of innovative telecommunications services and ensuring that the public is compensated for the private use of a public resource.